

Message Text

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ACTION ARA-10

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FM AMEMBASSY TEGUCIGALPA

TO SECSTATE WASHDC NIACT IMMEDIATE 5231

C O N F I D E N T I A L SECTION 1 OF 2 TEGUCIGALPA 5765

E.O. 11652: GDS

TAGS: EINV, PINT, HO

SUBJECT: GOH EXPROPRIATION OF UNITED BRANDS LAND

REF: (A) STATE 299716, (B) TEGUCIGALPA 5749

1. I HAD AN OPPORTUNITY TO TALK TO EDUARDO ARAGON, UNITED BRANDS MANAGER IN HONDURAS, ABOUT THE IMPACT OF THE DECEMBER 9 RESOLUTIONS ON THE COMPANY THE MORNING OF DECEMBER 10. I LATER HAD A LONG CONVERSATION WITH RIGOBERTO SANDOVAL COREA, EXECUTIVE DIRECTOR OF THE AGRARIAN REFORM INSITITUTE, ABOUT GOH VIEW OF THE SITUATION.

2. ARAGON TOLD ME THAT UNITED BRANDS HAD ONLY MADE AN INITIAL ESTIMATE OF THE IMPACT OF THE TWO RESOLUTIONS. HE SAID THAT APPROXIMATELY 83,000 HECTARES HAD BEEN INCLUDED IN THE RESOLUTIONS; OF WHICH, APPROXIMATELY 66,000 BELONGED TO THE COMPANY. HE SAID THE 66,000 HECTARES IS DIVIDED INTO 16,500 FOR PASTURES, 24,600 FOR FLOODWAYS AND 24,600 WERE IDLE. THE DIFFERENCE OF 17,000 HECTARES BETWEEN 83,000 AND 66,000 CONSISTED OF NATIONAL LANDSITILIZED BY THE COMPANY UNDER AGREEMENT WITH THE GOVERNMENT.

3. ARAGON SAID THAT COMPANY LANDS PLANTED IN BANANAS AND AFRICAN PALM OIL, TOWNSITES, RESEARCH AREAS AND FLORICULTURE WERE NOT COVERED IN GOVERNMENT RESOLUTIONS. HE EXPLAINED THAT, IN THE COMPANY'S VIEW, PROTECTION FROM EXPROPRIATION OF PASTURES FOR AN ADDITIONAL YEAR IS PART OF AGRARIAN REFORM LAW AND THAT THE RESOLUTION VIOLATES THE LAW. HE REMARKED THAT

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FLOODWAYS WERE AREAS DESIGNED TO PREVENT FLOODING OF COMPANY'S

BANANA LANDS AND WERE VITAL TO THE COMPANY'S OPERATIONS.

4. ARAGON REMARKED THAT THE COMPANY LAWYER HAD TO SIGN A DOCUMENT WHICH INCORPORATED THE EXPROPRIATION PROPOSALS PRIOR TO THE JUDICIAL PROCESS BEING SET IN MOTION. HE SAID THAT THE COMPANY LAWYER WOULD ATTEMPT TO AVOID SIGNING THE DOCUMENT FOR AS LONG AS POSSIBLE. HE REMARKED THAT THE COMPANY HAS 15 DAYS TO APPEAL TO THE NATIONAL AGRARIAN COUNCIL AFTER THE DOCUMENT IS SIGNED. WHEN ASKED ABOUT COMPENSATION, HE SAID THAT THE GOVERNMENT PROPOSAL WAS \$25,000 IN CASH AND \$1.5 MILLION IN 2 PERCENT 20-YEAR BONDS FOR EXPROPRIATED LANDS. HE SAID HE DID NOT BELIEVE SUCH A SETTLEMENT IS ADEQUATE. HE SAID THAT SANDOVAL HAD OFFERED TO BUY THE 12,000 HEADS OF CATTLE UNITED BRANDS HAS IN THE PASTURE AREAS.

5. ARAGON REMARKED THAT THERE HAD BEEN CONVERSATIONS WITH CHIEF OF STATE MELGAR IN APRIL, 1976 CONCERNING METHODS OF CARRYING OUT CHANGES IN THE COMPANY'S ACTIVITIES. HE SAID MELGAR HAD PROMISED TO ESTABLISH A COMMISSION TO DEAL WITH WAYS OF DEALING WITH THE CHANGES; HOWEVER, NO SUCH COMMISSION WAS EVER ESTABLISHED. ARAGON SAID THAT A 10-POINT LETTER WAS GIVEN TO THE GOH EXPLAINING THE ARDDES OF CONCERN TO THE COMPANY, BUT THAT NO ACTION WAS TAKEN ON THESE POINTS.

6. IN RESPONSE TO QUESTIONS, ARAGON SAID HE DID NOT KNOW WHY THE RESOLUTIONS WERE ENACTED AT THIS TIME. HE REMARKED THAT HE FIRST KNEW OF THE ACTION WHEN SANDOVAL CALLED HIM AT 5:30 P.M. ON DECEMBER 8. ARAGON SAID HE IMMEDIATELY CALLED CHIEF OF STATE MELGAR, WHO DIRECTED HIM TO THE MINISTER OF NATURAL RESOURCES, RAFAEL CALLEJAS, AND THE DIRECTOR OF THE CENTRAL BANK, GUILLERMO BUESO. HE SAID THAT NEITHER KNEW OF THE ACTION. ARAGON SURMISED THAT IT WAS AN ACTION TAKEN BY MELGAR AND SANDOVAL ACTING ALONE. HE RECALLED THAT HE HAD A MEETING WITH SANDOVAL TWO MONTHS AGO DURING WHICH THE TIMING AND METHOD OF ACTION WAS DISCUSSED, BUT THAT NO SPECIFIC PLANS WERE MENTIONS. ARAGON REMARKED THAT SANDOVAL SEEMED DETERMINED AT THE TIME TO MOVE AHEAD WITH THE PLAN TO TAKE COMPANY PROPERTY.

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7. IN A LATER CONVERSATION, SANDOVAL TOLD ME THAT HE AND MELGAR WOULD BE PREPARED TO MEET WITH COMPANY OFFICIALS TO DISCUSS SETTLEMENT OF THE MATTER IN AN AMICABLE MANNER. HE ALSO REMARKED THAT THE QUESTION OF COMPENSATION IS STILL OPEN TO DISCUSSION. HE SAID THAT HE TOLD MR. CHARLES WAITE, CHIEF EXECUTIVE OFFICER OF UNITED FRUIT COMPANY, AND ARAGON ON OCTOBER 14 THAT ACTION WAS IMMINENT AND HAD INFORMED ARAGON ON DECEMBER 8 OF THE PROPOSED ENACTMENT ON DECEMBER 9. HE

REMARKED THAT HE BELIEVED THE GOH HAD DEALT WITH THE POINTS RAISED BY UNITED BRANDS IN A LETTER PRESENTED DURING ITS MEETINGS WITH GOH OFFICIALS IN APRIL, 1976. SANDOVAL COMMENTED THAT ENACTMENT OF RESOLUTIONS AT THIS TIME WAS PURELY COINCIDENTAL WITH THE RELEASE OF A REPORT ON UNITED BRANDS PREPARED BY INDEPENDENT AUDITORS AS A RESULT OF AN SEC INITIATIVE.

8. SANDOVAL EMPHASIZED THAT RESOLUTIONS DID NOT AFFECT THE COMPANY'S BANANA, OIL PALM, TOWNSITES, RESEARCH, OR FLORICULTURAL AREAS; FURTHERMORE, HE SAID THAT THE EXPROPRIATION WOULD NOT AFFECT THE COMPANY'S PRODUCTION. HE ADMITTED, HOWEVER, THAT THE ACTION MAY HAVE AN ADVERSE PSYCHOLOGICAL EFFECT ON UNITED BRANDS MARKET VALUE IN THE U.S. HE POINTED OUT THAT 3,000 HECTARES OF NATIONAL LAND OCCUPIED BY THE COMPANY WAS NOT RECUPERATED BECAUSE IT IS PLANTED IN BANANAS, AND THE GOH DID NOT WANT TO DAMAGE THE COMPANY'S PRODUCTION. HE EMPHASIZED THE DESIRE OF THE GOH TO MAINTAIN AMICABLE RELATIONS WITH THE COMPANY.

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